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Ms. MacDowell presented the Finance and Claims Committee Reports for the regular meeting of February 28, 2006, and special meeting of March 7, 2006. After review of the forgoing Finance and Claims Committee Reports, Ms. MacDowell moved that the Finance and Claims Committee Reports covering the regular meeting held February 28, 2006, and the special meeting held March 7, 2006, be approved and adopted.

George Zimmerman, Vice President of Travel Michigan, reviewed the travel and business marketing RFP timeline and process for the Board.

Mr. Keenan said, "Thank you. A few questions."

Mr. Keenan said, "Public Act 225 of 2005 amends the Michigan Strategic Fund Act. In the Act, did the Michigan Legislature appropriate \$15 million to the Michigan Strategic Fund for the current fiscal year for a Michigan promotion program to enhance funding beyond that included in the annual appropriation for Travel Michigan to attract additional tourism expenditures in this state?"

Mr. Zimmerman, Travel Michigan said, "Yes they did."

Mr. Keenan said, "Public Act 225 of 2005 prohibits any funds that may be used for any tourism marketing effort targeted to a media market in Michigan from including the image of an elected state officer or a candidate for elective state office. Does the tourism marketing contract comply with this requirement?"

Mr. Zimmerman said, "Yes."

Mr. Keenan asked Mr. Zimmerman, "In Public Act 225 of 2005, of the funds appropriated to the Michigan Strategic Fund for the current fiscal year, did the Michigan Legislature authorize up to \$20 million to be expended for business development and business marketing costs?"

Mr. Zimmerman said, "Yes, they did."

Mr. Keenan said, "Public Act 225 of 2005 requires that not less than 80% of the funds committed for business development and business marketing costs must be targeted to persons or entities outside of this state. Does the business marketing contract comply with this requirement?"

Mr. Zimmerman said, "Yes."

Mr. Keenan said, "Public Act 225 of 2005 prohibits any funds used for any business development and marketing effort targeted to a media market in this state from including a reference to or the image or voice of an elected state officer or a candidate for elective state office. Does the business marketing contract comply with this requirement?"

Mr. Zimmerman said, "Yes."

Mr. Keenan said, "Public Act 225 of 2005 requires the Board of Directors of the Michigan Strategic Fund to select all vendors for all marketing expenditures under Chapter 8A by issuing a request for proposal. Did the Michigan Strategic Fund issues a request for proposals for the tourism marketing contract? And the business marketing request for proposals?"

Mr. Zimmerman said, "Yes, they did."

Mr. Keenan said, "Public Act 225 of 2005 mandates that a RFP require the responding entities to disclose: (1) any conflict of interest; (2) any criminal convictions; (3) any investigations by the Internal Revenue Service or any other federal or state taxing body or court; and (4) any pertinent litigation regarding the conduct of the entity; and also required the responding entities to maintain records and evidence pertaining to work performed.

Did the request for proposals issued by the Michigan Strategic Fund for tourism marketing require these disclosures? And the business marketing proposals?"

Mr. Zimmerman said, "Yes, they did."

Mr. Keenan said, "Public Act 225 of 2005 requires that the Board of Directors of the Michigan Strategic Fund establish a process to evaluate proposals submitted as a result of a request for proposals for marketing and appoint a committee to review the proposals. Did the Michigan Strategic Fund Board establish a competitive process for review of the proposals for tourism marketing and business marketing? And appoint committees to review each of the proposals?"

Mr. Zimmerman said, "Yes, they did."

Mr. Keenan said, "Were the contracts with the vendors for tourism marketing and business marketing before the State Administrative Board today approved by the committees appointed by the Michigan Strategic Fund. Were the contracts approved by the Michigan Strategic Fund Board?"

Mr. Zimmerman said, "Yes, they were."

Mr. Keenan said, "A member or agent of the Board of Directors of the Michigan Strategic Fund is required by the Michigan Strategic Fund Act to discharge his or her position in a nonpartisan manner, with good faith, and with that degree of diligence, care, and skill which an ordinarily prudent person would exercise under similar circumstances in a like position. Based on your observations, did the Michigan Strategic Fund comply with this statutory obligation with regard to the tourism marketing and business marketing contracts?"

Mr. Zimmerman said, "Yes, they did."

Mr. Keenan said, "Under the Michigan Strategic Fund Act, a member of the Board of Directors of the Michigan Strategic Fund or an officer, employee, or agent of the Fund may, in discharging the duties of his or her office and when acting in good faith, rely upon the opinion of counsel for the Fund. Did the Michigan Strategic Fund consult with its legal counsel at the Department of Attorney General with regard to these contracts and the process used for selecting vendors?"

Mr. Zimmerman said, "Yes, they did."

Mr. Keenan said, "The Michigan Strategic Fund Act also prohibits a member of the Board of Directors, an employee, or an agent of the Michigan Strategic Fund from engaging in any conduct that constitutes a conflict of interest and requires written notice to the Board of Directors of the Michigan Strategic Fund regarding any such conflict of interest. Were any conflicts of interest disclosed with regard to the contract for business marketing or travel marketing?"

Mr. Zimmerman said, "No."

Mr. Keenan said, "When authorizing expenditures or investments under the Michigan Strategic Fund Act, the Board of Directors of the Michigan Strategic Fund cannot consider whether a recipient has made a contribution or expenditure under the Michigan Campaign Finance Act? When considering the contracts for tourism marketing and business marketing, did the Board consider whether either vendor made a contribution or expenditure under the Michigan Campaign Finance Act?"

Mr. Zimmerman said, "No."

Mr. Keenan said, "The Michigan Strategic Fund Act also prohibits expenditures under the Michigan Strategic Fund Act from being used to finance or influence political activities? Do either the contract for tourism marketing or the contract for business marketing authorize expenditures to finance or influence political activities?"

Mr. Zimmerman said, "No."

Mr. Keenan said, "In the Michigan Strategic Fund Act, the Michigan Legislature found and declared that action is needed to encourage increased employment and business expansion in this state.

The Michigan Legislature also found and declared that the economy of this state is undergoing a long-term transition requiring new and innovative policies from state government. And that there is a pressing need to promote the development of existing business enterprises and to meet the growing competition among states and nations for business enterprises.

Additionally, in Public Act 225 of 2005 the Michigan Legislature found and declared that the activities authorized under Chapter 8A of the Michigan Strategic Fund Act to encourage the diversification of the economy and the creation of jobs in this state are a public purpose and of paramount concern.

Does the tourism marketing contract authorized by Chapter 8A of the Michigan Strategic Fund Act? And the business marketing contract?"

Mr. Zimmerman said, "Yes."

Ms. Wolenberg said, "Mr. Chair, for the record, please note that the state superintendent, Mike Flanagan, early last week requested that our department engage in due diligence regarding the process used to bring the business marketing and (travel) marketing contracts to the State Administrative Board for approval. Based on this due diligence, we are confident that all necessary steps were taken and appropriate check(s) and balances were followed. I will be voting to approve these contracts as part of the larger Finance and Claims agenda approved by the committee on February 28, 2006."

Ms. MacDowell had previously moved that the Finance and Claims Committee Reports covering the regular meeting held February 28, 2006, and the special meeting held March 7, 2006, be approved and adopted. The motion was supported by Ms. Wolenberg and unanimously approved.